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C O N F I D E N T I A L RANGOON 000462

SIPDIS

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TAGS: [EFIN](#) [SNAR](#) [ECON](#) [PGOV](#) [BM](#)

SUBJECT: BURMA: MONEY LAUNDERING LAW NOT BEING USED TO SHUT  
CRIMINAL BANKS

REF: A. RANGOON 402

[1](#)B. 04 RANGOON 631 AND PREVIOUS

Classified By: COM CARMEN MARTINEZ FOR REASONS 1.4 (B,D)

[1](#)1. (C) Summary: Three weeks after the GOB's closure of two banks suspected of money laundering, there is still no official indication of whether the banks were shut due to money laundering offenses. Indeed, the GOB's public posture, and the opinion of the banking community, indicate that the law has not been used due to regime concerns about bad publicity. Instead, administrative provisions of the banking law are apparently being invoked. If true, this erodes confidence in the government's will to enforce its own anti-money laundering regime. The USG -- through FATF -- should maintain pressure on the GOB to clarify its legal action and release to FATF the report on its 16-month investigation of the banks. End summary.

[1](#)2. (C) A senior officer of Asia Wealth Bank (AWB), one of the two banks the GOB ordered shut on April 1 (ref A), told us April 19 that he did not think the authorities had found any evidence of money laundering or affiliation with narco-trafficking at his bank. Though he admitted he had not seen the GOB's official report of the investigation into AWB and Myanmar Mayflower Bank (MMB), he said he was drawing his conclusion from the fact that the government was not using the 2002 "Control of Money Laundering Law" (CMLL) to close the banks. Instead, they were being wound up under more general banking and company statutes.

[1](#)3. (C) The AWB official's claim is difficult to verify as he is clearly a biased source and the GOB has refused to show anyone a copy of the report of the 16-month investigation. At the time of the GOB closure order, law enforcement contacts noted informally that the banks were shut to respond to Financial Action Task Force (FATF) and USG concerns and due to "allegations" of money laundering at these banks by ethnic Wa leaders. However, there has been no subsequent public or senior-level verification of these assertions. Private banking sources now are telling us they think the GOB will not use the CMLL, despite findings of malfeasance, to avoid admitting or revealing that money laundering and unlawful ties to criminal elements existed at GOB-supervised private banks. Also, we speculate that a true investigation could reveal several high-level GOB hands in the cookie jar -- something the SPDC would be loath to publicize.

[1](#)4. (C) Comment: AWB's and MMB's links to narco-traffickers, and their money laundering activities, are indisputable. If the GOB had carried out a genuine investigation of these banks, it would have found evidence to close them, and prosecute a number of senior executives, under the CMLL and the 1993 anti-narcotics law. This is especially the case with the FATF pressing Burma to improve its anti-money laundering regime, and the SPDC's relative responsiveness to FATF expectations (ref B). It is peculiar, then, that the GOB would not trumpet a first successful use of the CMLL if it was using the law to close the banks. We urge Treasury and the U.S. delegation to FATF to press the GOB at the next Plenary session to release the investigation report and clarify whether or not the CMLL law is being used. If the Burmese delegation refuses, FATF must remain skeptical of the Burmese dedication to fighting pervasive money laundering and the infiltration of drug money into the economy. End comment. Martinez